

Message Text

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PASS AGRICULTURE

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SUBJECT: DRAFT COMMISSION PROPOSAL ON ALCOHOL CAP

REF: (A) EC BRUSSELS 1399, (B) 72 EC A-149, (C) 72 STATE 192180

1. BEGIN SUMMARY: THE EC COMMISSION IS WORKING ON A DRAFT PROPOSAL FOR A CAP ON ALCOHOL WHICH WOULD RESERVE CERTAIN MARKET OUTLETS FOR CERTAIN QUANTITIES OF ALCOHOL OF AGRICULTURAL ORIGIN. IT WOULD ALSO FIX INTERVENTION AND SELLING PRICES FOR AGRICULTURAL ALCOHOL PRODUCTS. IMPORTS WILL BE SUBJECT TO LICENSING AND LEVIES, IN SOME CASES, NOT TO EXCEED GATT-BOUND LEVELS. THE DRAFT PROPOSAL ALSO PROVIDES FOR EXPORT SUBSIDIES. END SUMMARY.

2. EC COMMISSIONERS RETURNING TO BRUSSELS FROM VACATION WILL FIND A DRAFT PROPOSAL FOR AN ALCOHOL CAP STILL ON THEIR DOCKET. (REF. A). THIS IS THE SECOND TIME THE COMMISSION HAS WORKED ON SUCH A PROPOSAL, THE FIRST ONE REACHED THE COUNCIL IN 1972 AND DIED THEREAFTER DUE TO, INTER ALIA, THE CONFLICTING INTERESTS BETWEEN AGRICULTURAL ALCOHOL-PRODUCING MEMBERS AND OTHER MEMBERS IN AN ENLARGED COMMUNITY. (REF. B AND C). THE DRAFT
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CAP PROPOSAL WHICH WE HAVE AND WHICH IS SUMMARIZED BELOW IS

SEVERAL WEEKS OLD. BEFORE THE AUGUST RECESS, IT WAS THE OBJECT OF INTENSE, AND AT TIMES ACERBIC, DEBATE AT THE COMMISSIONER'S LEVEL, PARTICULARLY AMONG THE DIRECTORATE GENERALS FOR INDUSTRIAL AFFAIRS, COMPETITION, AND AGRICULTURE. FROM WHAT WE ARE TOLD BY OUR COMMISSION AND OTHER SOURCES, THE MAIN LINES OF THE DRAFT WE HAVE SUMMARIZED BELOW (INCLUDING SUBSIDIES ON WHISKY FOR EXPORT) ARE THE SAME AS IN THE DRAFT VERSION CURRENTLY BEFORE THE COMMISSIONERS. OUR COMMISSION

SOURCES INDICATE THAT THE COMMISSIONERS HAVE APPARENTLY DECIDED THAT THE PRODUCTION OF AGRICULTURAL ALCOHOL SHOULD BE CONTROLLED AND THAT CERTAIN MARKET OUTLETS SHOULD BE RESERVED FOR IT. ONE OF THE REMAINING

BONES OF CONTENTION, HOWEVER, IS WHICH SECTORS SHOULD BE RESERVED FOR ALCOHOL OF AGRICULTURAL ORIGIN; FOR EXAMPLE, THERE IS MUCH DISPUTE

ABOUT INCLUDING COSMETICS AS A RESERVED SECTOR.

3. THE FOLLOWING SUMMARIZES THE SALIENT PROVISIONS OF THE DRAFT CAP PROPOSAL.

4. THE PRODUCTS TO BE COVERED BY THE PROPOSED ALCOHOL CAP ARE: ETHYL ALCOHOL AND SPIRITS (CXT 22.08 A I AND B I AND 22.09 A I), FERMENTED BEVERAGES SUCH AS CIDER OVER 15 DEGREE (CXT 22.07 BII B), CERTAIN PREPARED FRUIT WITH ADDED ALCOHOL (CXT 20.06 B I B), WINE FORTIFIED FOR DISTILLATION (CXT EX 22.05 C IV), WINE OR GRAPE MUST OF AN ACTUAL ALCOHOLIC STRENGTH OVER 22 DEGREE (CXT 22.05 C V), CONCENTRATED EXTRACTS (CXT 22.09 B), SPIRITUOUS BEVERAGES (CXT 22.09 C) AND VERMOUTHS (CXT 22.06).

5. THERE WILL BE A MINIMUM PRICE FIXED ANNUALLY FOR EACH AGRICULTURAL RAW MATERIAL USED (E.G. FRUITS, GRAINS, SUGARS, WINE) FOR DISTILLATION. FOR PRODUCTS ALREADY SUBJECT TO A COMMON ORGANIZATION, THE MINIMUM PRICE CANNOT BE HIGHER THAN THE PRICE FIXED UNDER THAT CAP. DISTILLERS ARE REQUIRED TO PAY AT LEAST THE MINIMUM PRICE (ADJUSTED FOR QUALITY) FOR THE RAW MATERIAL THEY BUT TO DISTILL. INTERVENTION PRICES ARE TO BE FIXED ANNUALLY FOR EACH TYPE OF ETHYL ALCOHOL OF AGRICULTURAL ORIGIN.

6. A CERTAIN QUANTITY FO AGRICULTURAL ETHYL ALCOHOL WILL BE LIMITED OFFICIAL USE

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GUARANTEED A MARKET OUTLET IN THE COMMUNITY. (BY DIRECTING THAT CERTAIN SECTORS USE ONLY ALCOHOL OF AGRICULTURAL ORIGIN). THIS QUANTITY WILL BE FIXED EACH YEAR FOR THE NEXT MARKETING SEASON. THE COUNCIL CAN INCREASE THIS QUANTITY DURING THE COURSE OF THE SEASON. A TARGET QUANTITY IS ALSO FIXED TO APPLY FOR 5 CONSECUTIVE SEASONS.

7. THE QUARANTEED QUANTITY IS TO BE ALLOCATED AMONG EC DISTILLERIES.

THESE SHARES OF THE GUARANTEED QUANTITY CAN BE TRANSFERRED AMONG THE DISTILLERIES.

8. INTERVENTION AGENCIES WILL BE REQUIRED TO BUY ALL AGRICULTURAL ETHYL ALCOHOL OFFERED TO THEM, AT THE APPLICABLE INTERVENTION PRICE, ADJUSTED FOR QUALITY. THEY WILL BE IN CHARGE OF STORING AND MARKETING THE ALCOHOL THEY BUY AND CAN EVEN REDISTILL OR DENATURE IT. THE ALCOHOL WILL BE MARKETING IN SECTORS NOT "RESERVED" VIA TENDERING.

9. ONLY ETHYL ALCOHOL OF AGRICULTURAL ORIGIN CAN BE USED IN CERTAIN RESERVED SECTORS. RESERVED SECTORS INCLUDE: DRINKING ("CONSUMMATION DE BOUCHE"), VINEGARMAKING, PHARMACEUTICALS (EXCEPT FINISHED PRODUCTS WHICH NO LONGER CONTAIN ETHYL ALCOHOL), PERFUME AND COSMETICS. MEMBER STATES CAN BE EXEMPTED FOR UP TO FIVE YEARS FROM INCLUDING PHARMACEUTICALS OR PERFUME/COSMETICS AMONG THE RESERVED SECTORS. A SELLING PRICE IS TO BE FIXED FOR ALL AGRICULTURAL ETHYL ALCOHOL AND EACH OF THE RESERVED SECTORS. THE SELLING PRICE FOR ALCOHOL FOR DRINKING WILL BE BASED ON THE INTERVENTION PRICE FOR ETHYL ALCOHOL FROM GRAINS. THE SELLING PRICES WILL BE ADJUST FOR QUALITY.

10. THERE IS TO BE AN EQUALIZATION TAX CHARGED ON IMPORTED OR EC AGRICULTURAL ETHYL ALCOHOL OF A FIXED TYPE MARKETING IN A RESERVED SECTOR, FOR WHICH THE INTERVENTION PRICE IS LOWER THAN THE SELLING PRICE FIXED FOR THAT SECTOR. THIS TAX WILL COVER THE DIFFERENCE BETWEEN THE INTERVENTION AND SELLING PRICES. FOR AGRICULTURAL ETHYL ALCOHOL OF A FIXED TYPE, PRODUCED IN THE EC FROM RAW MATERIALS OBTAINED OR HARVESTED IN THE EC, MARKETING IN A RESERVED SECTOR AND FOR WHICH THE INTERVENTION PRICE IS HIGHER THAN THE SELLING PRICE FIXED FOR THAT RESERVED SECTOR, THERE WILL BE A COMPENSATORY PREMIUM (SUBSIDY) TO COVER THE LIMITED OFFICIAL USE

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DIFFERENCE BETWEEN THESE TWO PRICES. FOR ANY DISTILLERY THE QUANTITY OF AGRICULTURAL ETHYL ALCOHOL ELIGIBLE FOR THIS COMPENSATORY PREMIUM CANNOT EXCEED ITS GUARANTEED VOLUME REDUCED BY THE VOLUME OFFERED TO INTERVENTION AGENCIES.

11. AGRICULTURAL ETHYL ALCOHOL PRODUCED BY A DISTILLERY ABOVE THE LEVEL OF ITS GUARANTEED VOLUME FOR THE SEASON CAN BE DEDUCTED FROM ITS GUARANTEED VOLUME FOR THE NEXT SEASON. SIMILARLY, WHEN A DISTILLERY'S PRODUCTION FALLS SHORT OF ITS GUARANTEED VOLUME FOR THE SEASON, THE DIFFERENCE BETWEEN PRODUCTION AND GUARANTEED VOLUME CAN BE ADDED TO ITS GUARANTEED VOLUME OF THE NEXT SEASON. THERE WILL BE LIMITS SET ON THE AMOUNT OF SURPLUS OR DEFICIT THAT CAN BE CARRIED OVER. QUANTITIES PRODUCED ABOVE THE GUARANTEED VOLUME WHICH ARE NOT TRANSFERRED OVER TO THE NEXT SEASON'S GUARANTEED

VOLUME AS OUTLINED ABOVE, WILL BE TAXED IF MARKETED IN RESERVED SECTORS.

12. AS IT WILL DO AGRICULTURAL ETHYL ALCOHOL, THE COUNCIL IS TO FIX ANNUALLY A GUARANTEED QUANTITY FOR EACH OF THE SPIRITUOUS BEVERAGES OBTAINED FROM RAW MATERIALS OBTAINED OR HARVESTED IN THE EC. WHEN FIXING THIS GUARANTEED QUANTITY, ACCOUNT WILL BE TAKEN OF PRODUCTION, MARKETING, AND STOCKS OVER THE LAST FIVE YEARS, PLUS AN ANNUAL GROWTH RATE, NOT TO EXCEED 5 PERCENT. THE COUNCIL WILL ALSO TAKE INTO ACCOUNT THOSE QUANTITIES OF SPIRITUOUS BEVERAGES PRODUCED AS A CONSEQUENCE OF THE DISTILLING PROGRAMS UNDER THE WINE CAP.

13. THE GUARANTEED QUANTITIES ARE ALLOCATED AMONG EC DISTILLERIES, THUS EACH DISTILLERY RECEIVES A "GUARANTEED VOLUME". IN ALLOCATING THESE QUANTITIES, A PORTION OF PRODUCTION WILL BE RESERVED FOR NEWLY CREATED DISTILLERIES. A SYSTEM OF EQUALIZATION TAXES OR COMPENSATORY AMOUNTS (FOR GUARANTEED QUANTITIES) SIMILAR TO THAT ON AGRICULTURAL ETHYL ALCOHOL, WILL BE APPLIED BY INTERVENTION AGENCIES TO PRODUCERS OF SPIRITUOUS BEVERAGES WHEN THE PRODUCT IS DELIVERED FOR CONSUMPTION.

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14. INTERVENTION AGENCIES WILL COLLECT A SO-CALLED INTERVENTION

CONTRIBUTION, TO BE FIXED BY THE COUNCIL, ON AGRICULTURAL ETHYL ALCOHOL USED IN THE COMMUNITY FOR DRINKING AND ON ALCOHOL CONTAINED IN SPIRITUOUS BEVERAGES PUT UP FOR CONSUMPTION IN THE EC. THIS CONTRIBUTION IS TO BE DETERMINED IN SUCH A WAY AS TO ASSURE A FINANCIAL EQUILIBRIUM IN BETWEEN RECEIPTS AND EXPENDITURES INCURRED BY THE INTERVENTION AGENCIES. PRODUCERS OF LESS THAN 4 HECTOLITERS OF ALCOHOL AND/OR SPIRITUOUS BEVERAGES ARE EXEMPT FROM THE INTERVENTION CONTRIBUTION.

15. PRODUCTION, MARKETING, AND DESTINATION OF ALCOHOL AND SPIRITUOUS BEVERAGES WILL BE CONTROLLED (MODALITIES OF APPLICATION TO BE DETERMINED). ALL IMPORTS AND EXPORTS OF ALCOHOL PRODUCTS COVERED UNDER THIS CAP CAN BE SUBJECT TO LICENSING WITH SURETY DEPOSIT.

IMPORTS OF ETHYL ALCOHOL (22.08 A I AND BI AND 22.09 AI), CONCENTRATED EXTRACTS (22.09 B) AND SPIRITUOUS BEVERAGES (22.09 C) WILL BE SUBJECT TO A LEVY, FIXED IN ADVANCE FOR EACH SEASON.

A "COMPLEMENTARY" LEVY WILL APPLY (ON TOP OF THE CUSTOMS DUTY) TO IMPORTS OF CIDER (20.07 BII

B) FRUITS WITH ALCOHOL (20.06 BI B)), WINE (EX 20.05 C IV AND 22.05 C V) AND VERMOUTHS (22.06). THIS WILL ALSO BE FIXED LIMITED OFFICIAL USE

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IN ADVANCE FOR THE SEASON. BOTH OF THESE LEVIES CAN BE MODIFIED DURING THE COURSE OF THE SEASON IF THERE ARE IMPORTANT CHANGES IN THE SUPPLY SITUATION OF ALCOHOL PRODUCING RAW MATERIALS.

16. THE LEVY ON ETHYL ALCOHOL WILL BE COMPOSED OF A) AN ELEMENT REPRESENTING THE AVERAGE PROTECTION FOR THE ALCOHOL PRODUCING RAW MATERIAL CONCERNED UNDER THE APPLICABLE CAP, FOR THE QUANTITY OF RAW MATERIAL NEEDED TO PRODUCE ONE HECTOLITER OF PURE ALCOHOL IN THE COMMUNITY AND B) A FIXED ELEMENT.

17. THE LEVY ON CONCENTRATED EXTRACTS AND SPIRITUOUS BEVERAGES WILL CONSIST OF A) AN ELEMENT DERIVED ON THE ONE HAND, FROM THE ABOVE

REPRESENTATIVE PROTECTIVE ELEMENT ON THE ALCOHOL PRODUCING RAW MATERIAL AND ON THE OTHER HAND THE INTERVENTION PRICE OF ETHYL ALCOHOL OF THE SAME ORIGIN, AND B) A FIXED ELEMENT.

18. THE COMPLEMENTARY LEVIES ARE TO BE FIXED PER DEGREE OF ALCOHOL AND PER HECTOLITER AND WILL BE BASED ON THE ABOVE DERIVED ELEMENT "A" ON CONCENTRATED EXTRACTS AND SPIRITUOUS BEVERAGES.

19. THE LEVIES AND COMPLEMENTARY LEVIES CANNOT EXCEED GATT-BOUND LEVELS FOR FORTIFIED WINE (EX 22.05 C IV), ETHYL ALCOHOL NONDENATURED UNDER 80 DEGREE (22.09 AI) CONCENTRATED EXTRACTS (22.09 B), AND SPIRITUOUS BEVERAGES (22.09 C).

20. TO THE EXTENT NECESSARY TO ALLOW "ECONOMICALLY IMPORTANT" EXPORTS OF AGRICULTURAL ETHYL ALCOHOL IN THE FORM OF CIDER, FRUITS WITH ALCOHOL, WINE, AND VERMOUTHS, THE DIFFERENCE BETWEEN WORLD MARKET PRICES AND EC PRICES FOR THIS ALCOHOL CAN BE COVERED BY A SUBSIDY. THIS EXPORT SUBSIDY CAN BE DIFFERENTIATED BY DESTINATION.

21. "PRODUCTION SUBSIDIES" CAN BE GRANTED FOR MAKING CERTAIN GRAIN-BASED SPIRITUOUS BEVERAGES, MORE THAN HALF OF WHICH ARE EXPORTED. THESE SUBSIDIES ARE CONDITIONAL ON PUTTING THE GRAINS TO BE USED UNDER CUSTOMS OR OTHER ADMINISTRATIVE CONTROL AND ON DISTILLING THESE GRAINS INTO SPIRITUOUS BEVERAGES. IF THE SPIRITUOUS BEVERAGES ARE NOT EXPORTED BUT INSTEAD MARKETING LIMITED OFFICIAL USE

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FOR CONSUMPTION, IN THE COMMUNITY, THE SUBSIDIES MUST BE PAID BACK WITH INTEREST.

THE COUNCIL CAN SUSPEND TOTALLY OR PARTIALLY INWARD PROCESSING ARRANGEMENTS FOR PRODUCTS UNDER THE ALCOHOL CAP AND ALCOHOL-PRODUCING RAW MATERIALS INTENDED FOR MANUFACTURING PRODUCTS UNDER THIS CAP.

2. PROVISION IS MADE FOR SAFEGUARD ACTION, INCLUDING IMPORT RESTRICTIONS AND EXPORT LEVIES. MEASURES CAN BE TAKEN BY THE COUNCIL, UPON COMMISSION PROPOSAL, RELATING TO AGRICULTURAL ETHYL ALCOHOL AND SPIRITUOUS BEVERAGES FROM SUGAR CANE WITH THE VIEW OF MAINTAINING THE LEVEL OF EMPLOYMENT AND AN EQUITABLE INCOME FOR SUGAR CANE PRODUCERS IN THE FRENCH OVERSEAS DEPARTMENTS.

23. IT WILL BE PROHIBITED TO GIVE CERTAIN PERSONS IN A MEMBER STATE THE EXCLUSIVE RIGHT TO PRODUCE, TREAT, TRANSPORT, STOCK, REFINES, IMPORT, EXPORT, BUY, SELL, OR OTHERWISE MARKET ETHYL ALCOHOL, AGRICULTURAL OR NOT.

24. COPIES OF THE FULL TEXT OF THE COMMISSION'S DRAFT PROPOSAL (WHICH IS 40 PAGES LONG AND ALSO CONTAINS 20 PAGES OF INTRODUCTORY AND SUPPLEMENTARY MATERIAL) ARE BEING SENT TO RICHARD SCHROETER USDA/FAS/ITP AND ED CASEY STATE/EUR/RPE. HINTON

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